

UNITED STATES DEPARTMENT OF AGRICULTURE


Farm Service Agency
Washington, DC 20250

Notice DCP-48

For: State and County Offices

**Special Provisions for 2002 Direct and
Counter-Cyclical Program (DCP) Payment Reductions**

Approved by: Deputy Administrator, Farm Programs



1 Overview

A

Background

The Farm Security and Rural Investment Act of 2002, Section 1107(b) provides that, if a producer receives all or any portion of the payment authorized for fiscal year 2002 under a Production Flexibility Contract (PFC), the Secretary shall reduce the amount of the direct payment otherwise due the producer for the 2002 crop year by the amount of the fiscal year 2002 payment received by the producer under PFC.

Therefore, special provisions have been developed for applying 2002 payment reductions to 2002 DCP payments. Payment reductions, including fruits and vegetables (FAV) and/or wild rice acre-for-acre reductions, FAV reporting violations, FAV planting violations and maintenance defaults, shall only be applied 1 time between 2002 PFC and DCP payments.

B

Purpose

This notice provides County Offices with procedure for:

- creating the 2002 DCP Payment Reduction File required for 2002 DCP payments to be processed
- applying 2002 payment reductions to 2002 DCP payments.

Disposal Date

October 1, 2003

Distribution

State Offices, State Offices shall relay to County Offices

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2 Creating the DCP Payment Reduction File

A

Overview

2002 DCP payment software will not allow DCP payments to be processed until the County Office has created the 2002 DCP Payment Reduction File in the 2002 DCP compliance software.

B

County Office Action

The County Office shall create the 2002 DCP Payment Reduction File according to the following table.

Important: If the county does not have 2002 payment reductions, the County Office must still create the DCP Payment Reduction File according to the following table before 2002 DCP payments can be made.

Step	Action
1	On Application Selection Menu FAX07001, ENTER "11", "PFC/DCP/Compliance".
2	On PFC/DCP/Compliance Menu M00000, ENTER "3", "Acreage and Compliance Determinations".
3	On Acreage and Compliance Determinations Year Menu MEA000, ENTER "5", "2002 Crop Year".
4	On 2002 Acreage and Compliance Determinations Menu MEAL00, ENTER "9", "Compliance Determinations".
5	On 2002 Compliance Determinations Menu MEALC0, ENTER "5", "DCP FAV Payment Reductions".
6	On 2002 DCP Payment Reductions Menu MEALV0, ENTER either of the following options: <ul style="list-style-type: none">"1", "Load Maintenance Default Rates""3", "Load Acres Planted to FAV/Wild Rice" <p>Note: After entering the maintenance default rates or loading the acres planted to FAV or wild rice planted on base acres, the 2002 DCP Payment Reduction File will be created.</p>

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3 FAV and Wild Rice Acre-for Acre Reductions

A

Applicability

An acre-for-acre reduction applies to DCP payments when FAV's or wild rice are planted on base acres enrolled in DCP and either of the following apply:

- farm has a history of planting FAV's or wild rice
 - producer has a history of planting a specific FAV or wild rice.
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One Reduction Between PFC and DCP

The differences between the acre-for-acre reduction applied to PFC and DCP are provided in the table below.

Difference	PFC	DCP
Application to Payments	Acre-for-acre reduction is calculated to a dollar value that is subtracted from the PFC payment.	Acre-for-acre reduction is calculated to an acreage reduction amount that is subtracted from DCP payment acres.
Payment rate	PFC payment rate	DCP direct payment rate

Between 2002 PFC and direct payments, FAV and wild rice acre-for-acre reductions must only be applied to payments 1 time. 2002 direct payments will be reduced by the amount of 2002 PFC payments earned by the producer. The 2002 PFC payment earned by the producer reflects an amount earned by the producer after applying the acre-for-acre payment reduction. Therefore, when subtracting the 2002 PFC payment from the direct payment, the direct payment is being reduced by a lesser amount that reflects the acre-for-acre payment reduction, than if the acre-for-acre payment reduction had not been applied to the 2002 PFC payment. Therefore, the acre-for-acre payment reduction is not being taken from the payments.

C

Applying Acre-for-Acre to Direct Payments

Because of the differences stated in subparagraph B, if the acre-for-acre reduction was applied to the 2002 PFC payment, the acre-for-acre reduction must still be applied to the 2002 direct payments.

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3 FAV and Wild Rice Acre-for Acre Reductions (Continued)

D

Applying Acre-for-Acre to CC Payments

Regardless of payment reductions applied under PFC, acre-for-acre reductions will always also be applied to 2002 counter-cyclical payments.

E

Software

If FAV's or wild rice are planted on base acres enrolled in DCP and the conditions in subparagraph A are met, the FAV's or wild rice acreage planted on base acres enrolled in DCP must be entered in the 2002 DCP FAV Payment Reduction compliance software.

4 FAV and Wild Rice Planting Violations

A

Applicability

FAV or wild rice planting violation occurs when **all** of the following apply:

- FAV or wild rice is planted on base acres enrolled in DCP
 - double-cropping region exception does not apply
 - the farm does not have a history of planting FAV's or wild rice
 - the producer does not have a history of planting a specific FAV or wild rice or the number of acres of FAV or wild rice planted for 2002 exceeds the producer's history.
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4 FAV and Wild Rice Planting Violations (Continued)

B

**One Violation
Between PFC
and DCP**

2002 planting violations shall be reduced from PFC and DCP payments. The violation amount is a 1 time calculation applicable to both programs. However, only the outstanding balance of the planting violation not satisfied under PFC shall be reduced from the 2002 DCP payments. See subparagraph D for additional information on recording violation amounts under DCP.

The 2002 DCP direct payments will be reduced by the amount of the PFC payment that was issued to CCC on behalf of the producer to satisfy the planting violation.

Between 2002 PFC and DCP, a FAV or wild rice planting violation payment reduction must only be applied to payments 1 time.

Note: Outstanding planting violations applied to **2001** and prior PFC payments may **not** be applied to 2002 DCP payments.

Therefore, if the 2002 planting violation for the farm has been completely satisfied under 2002 PFC, the planting violation shall not be applied to the farm's 2002 DCP payments.

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4 FAV and Wild Rice Planting Violations (Continued)

C

Applying Planting Violation to DCP

If the 2002 planting violation was **not completely** satisfied under 2002 PFC, then the remaining 2002 planting violation, not satisfied under 2002 PFC, must be applied to the farm's 2002 DCP payments.

Note: If the 2002 planting violation was completely satisfied under 2002 PFC, the planting violation must **not** be applied to the 2002 DCP payment.

Example:

2002 PFC.

Producer A earned a 2002 PFC payment equal to \$10,000. However, Producer A had a 2002 planting violation equal to \$15,000. Therefore, Producer A's 2002 PFC payment earned, \$10,000, was used to partially satisfy the 2002 planting violation of \$15,000. Producer A has an outstanding 2002 planting violation amount of \$5,000 that was not collected under 2002 PFC.

2002 Direct Payment.

Producer A earned a 2002 direct payment of \$14,000, minus his 2002 PFC earned of \$10,000 equals a \$4,000 direct payment, before applying payment reductions. Producer A's direct payment earned of \$4,000, must be applied to the outstanding 2002 planting violation amount of \$5,000 that was not collected under 2002 PFC. Therefore, Producer A still has an outstanding 2002 planting violation amount of \$1,000 that was not satisfied under 2002 PFC or the producer's direct payment.

2002 Counter-Cyclical Payment.

Producer A earned a 2002 counter-cyclical payment of \$12,000. The outstanding 2002 planting violation amount of \$1,000 is subtracted from Producer A's 2002 counter-cyclical payment of \$12,000. Producer A receives a counter-cyclical payment of \$11,000. Producer A has now satisfied the 2002 planting violation of \$15,000.

D

Software

An outstanding 2002 planting violation, not completely satisfied under 2002 PFC, must be entered into the 2002 DCP FAV Payment Reduction compliance software.

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4 FAV and Wild Rice Planting Violations (Continued)

E

Collecting 2002 Planting Violation Under DCP

For 2002, DCP payment software does not interface with planting violation software. Therefore, 2002 planting violations applied to DCP payments must be collected according to the following:

- set the receivable flag to a “Y” in the name and address file
 - the system will process the DCP payment through the “O” batch
 - set-off the applicable amount to CCC
 - deposit the CCC check on an automated CCC-257 using program code 02DCPVCOMM
 - enter the DCP planting violation amount satisfied into the 2002 DCP FAV Payment Reduction compliance software.
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5 FAV and Wild Rice Reporting Violations

A

Applicability

FAV or wild rice reporting violation occurs when both all of the following apply:

- FAV’s or wild rice are planted on base acres enrolled in DCP
- determined FAV’s and wild rice planted acres exceed reported FAV’s and wild rice planted acres by more than the allowable tolerance.

Note: Tolerance is 5 percent of the reported FAV’s and wild rice, not to exceed 50 acres.

B

Difference Between PFC and DCP

The difference between the reporting violation calculation applied to 2002 PFC and DCP payments is that the reporting violation is calculated based on the:

- direct payment rate for DCP
 - PFC payment rates for PFC.
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5 FAV and Wild Rice Reporting Violations (Continued)

C

Applying Reporting Violation to DCP

If the 2002 reporting violation was determined and collected under 2002 PFC, the reporting violation must be recalculated for 2002 DCP. Therefore, 2002 reporting violations must be entered into the 2002 DCP FAV Payment Reduction compliance software.

D

Collecting 2002 Reporting Violation Under DCP

DCP payment software does not interface with reporting violation software for 2002. Therefore, 2002 reporting violations applied to DCP payments must be collected the same as 2002 planting violations as provided in subparagraph 4 E.

6 Maintenance Defaults

A

Applicability

Producers with a DCP contract are required to maintain **all** base acres enrolled in DCP to control:

- wind and water erosion
 - weeds, including noxious weeds.
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B

Enter 2002 DCP Maintenance Defaults

If 2002 maintenance defaults were applied and collected under 2002 PFC, the maintenance defaults must be entered into the 2002 DCP FAV Payment Reduction compliance software.

C

Collecting 2002 Maintenance Defaults Under DCP

DCP payment software does not interface with maintenance default software for 2002. Therefore, 2002 maintenance default payment reductions applied to DCP payments must be collected in the same manner as 2002 planting violations, as provided in subparagraph 4 E.
